GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:244
ANSWERED ON:08.12.2006
ACQUISITION OF SBI SHARES
Kumar Shri Shailendra;Prabhu Shri Suresh Prabhakar

Will the Minister of FINANCE be pleased to state:

(a) whether the Government proposes to acquire Reserve Bank of India`s shares in the State Bank of India (SBI);

(b) if so, the details thereof and the reasons therefor;

(c) whether there is any resistance from various quarters in the matter; and

(d) if so, the details thereof and the reaction of the Government thereto?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI P. CHIDAMBARAM)

(a) to (d) : A statement is laid on the Table of the House.

STATEMENT FOR LOK SABI1A STARRED QUESTION NO.#244 FOR 8TH DECEMBER 2006 REGARDING ACQUISITION OF SBI SHARES TABLED BY SHRI SURESH PRABHAKAR PRABHU AND SHRI SHAILENDRA KUMAR

(a) & (b): Yes, Sir. The Committee on Banking Sector Reforms (Narasimham Committee II), inter-alia, observed that it is inconsistent with the principles of effective supervision that the regulator is also an owner of a bank and this would require the Reserve Bank of India (RBI) to divest its holding in banks and financial institutions. In its Monetary and Credit Policy for the year 2001-02, RBI announced its intention to transfer the ownership of shares in State Bank of India (SBI), National Housing Bank (NHB) and National Bank for Agriculture and Rural Development (NABARD) in favour of the Government of India. Accordingly, RJBI has sent a proposal to transfer its shares in these entities.

(c) & (d): The Committee on Fuller Capital Account Convertibility (FCAC) headed by Shri S.S. Tarapore has, in its report submitted to RBI on 31st July, 2006, recommended that given the imperative need for strengthening the capital of banks in the context of Basel II and FCAC, this transfer should be put on hold. However, SBI has a comfortable capital adequacy of 12.63% as on 30.09.2006, which is well above the minimum regulatory requirement of 9%. Further, the bank has a number of avenues, irrespective of its ownership, to strengthen its capital viz. by raising fresh equity, issue of Innovative Perpetual Debt Instruments (IPDI) eligible for inclusion as Tier I capital, issue of various capital instruments to shore up its Tier II capital, etc. Hence, transfer of RBI shareholding in SBI to the Government of India would not in any way adversely impact the capital raising ability of the Bank.